DOCUMENT RESUME

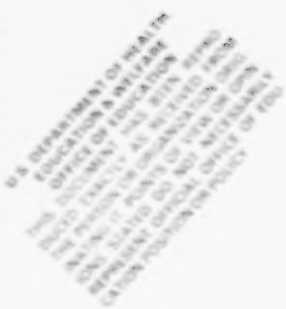
ED 076 104 HE 004 000

TITLE	The Case for Educational Support.
INSTITUTION	American Association of State Colleges and Universities, Washington, D.C.; National Association of State Universities and Land Grant Colleges, Washington, D.C.
PUB DATE	Jan 71
NOTE	14p.
EDRS PRICE	MF-$0.65 HC-$3.29
DESCRIPTORS	Costs; *Educational Economics; *Educational Finance; *Federal Aid; Financial Problems; *Financial Support; *Higher Education

ABSTRACT

Resources of higher education, public and private, have been stretched to the crisis point by the enormous additional enrollment of more than one and one-half million students since 1965. The cost squeeze at most institutions of higher education today has forced them into large deficits. Their problems are complicated by the many tasks undertaken in the national interest at the behest of the Federal government which, with federal fiscal restraints, now are no longer being funded. Higher education in the U.S., public and private, is provided under a system involving 3 principal components: (1) the ability of the student to pay some tuition and to maintain himself; (2) capital investment in buildings, laboratories and other physical resources; and (3) operating funds-the essential ingredient that includes that part of instruction not covered by tuition plus the current costs of operating the institution. This document presents a case for educational support today, which takes into account all 3 components and their implication for the future. (Author/HS)

ED 076104



The Case for Educational Support ...

A Joint Statement By

The National Association of State Universities and Land-Grant Colleges

The American Association of State Colleges and Universities

HEW

JANUARY, 1971

INTRODUCTION

Resources of higher education, public and private, have been stretched to the crisis point by the enormous additional enrollment of more than one and one-half million students since 1965.

The cost squeeze at most institutions of higher education today has forced them into large deficits. Their problems are complicated by the many tasks undertaken in the national interest at the behest of the Government which, with federal fiscal restraints, now are no longer being funded.

Higher education in the United States, public and private, is provided under a system involving three principal components: (1) the ability of the student to pay some tuition and to maintain himself; (2) capital investment in buildings, laboratories and other physical resources; (3) operating funds—the essential ingredient which includes that part of instruction not covered by tuition plus the current costs of operating the institution.

What follows here is the case for educational support today, which takes into account all three components and their implication for the future.

The statement results from a cooperative effort of major educational associations representing a majority of public and private colleges and universities in this country.

The National Association of State Universities and Land-Grant Colleges

The American Association of State Colleges and Universities

As higher education and the Federal Government join in a partnership to educate our most impoverished young people, it is necessary that the character of the problem be clearly understood. It would be cruel indeed if the hopes of young people were raised by promises which cannot be kept because institutional resources are not adequate to meet them. If fiscal constraints seems to preclude the provision of adequate support, we should tax ourselves to provide the funds. In any event, there must be a proper mix of funds for student assistance, capital investment and operating costs in order to educate as many additional students as possible. Providing money only for students will magnify the other two needs, not make them go away.

In his 1970 higher education message to the Congress, President Nixon stated as a national goal that "no qualified students who wants to go to college should be barred by lack of money." We support this goal wholeheartedly. But lack of money in the hands of the student is not the sole barrier to his going to college. There must be a place for him at an institution of higher education, and there must be teachers to instruct him, and books for him to read. If a genuine opportunity for a higher education is to be provided him, a realistic appraisal must be made of what is essential to achieving it.

We recognize the need for many kinds of post-secondary education, but will address ourselves to the kind provided by colleges and universities, because we have a responsibility for that. We also recognize the need for change in higher education and believe that the proposed National Foundation for Higher Education can help to bring it about. But the present generation of students cannot wait for an improved system in some indefinite future.

The colleges and universities of America make up a higher education system that is loosely knit and varied. Our concern is with legislation being designed for this system. Since its need will change as time goes by, we must frame a broad, flexible system of Federal support which can be adjusted to meet the needs at any given time by

amending appropriation levels and administrative regulations. We should not design long-range legislative authority in response to immediate budgetary pressures.

The first indispensable element in our higher education system is students. The President has proposed to expand Federal student assistance to the least affluent in our society. If his program succeeds, he expects a million students to present themselves to institutions of higher education in the next five years who would not otherwise have done so. This means 16 new students for every 100 now enrolled full-time. What happens then depends on what is done in the meantime to provide the institutions with the operating funds and facilities which also are indispensable to the system.

No institution charges all its students the full cost of their instruction. An additional student, therefore, is no financial boon to a college; instead he represents an additional cost, which, somehow, must be met. To the college, success in meeting the goal of wider enrollment results in fiscal hardship.[1] Even if not a single student is added to future enrollments, colleges are strapped for operating funds today because of the very substantial enrollment increases in the past years.

It is vitally important that the present situation of the higher education system be fully understood. A million and a half students have been added to enrollments since 1965. Institutions are stretched to the breaking point from this influx of students and rising prices which escalating tuition charges have not been able to match. The 118

---

[1] *The New Depression in Higher Education* by Earl Cheit (a Carnegie Commission Report to be published about February 1, 1971, by McGraw-Hill) discusses this phenomenon. It describes, also, how the institutions are under more severe cost pressures than the surrounding and supporting economy; how the cost per student increases due to the growing responsibility of the colleges and universities in response to the demands placed upon them by the public.

NASULGC institutions were forced to turn away 87,000 qualified students in the Fall of 1970 and many state colleges faced the same problem. While it is true that some private institutions could take more students, their combined spaces would not come close to solving the problem. Restated bluntly, if the Federal Government did not help a single additional student to go to college, the higher education system still would face financial strains of crisis proportions. If the Government adds to those strains by providing aid only for students, the predictable result will be disappointment for hundreds of thousands of young people.

When money is scarce, it has become popular to talk of "support for people, not things." The popularity of this view is evident in a report of the National Science Foundation published in September, 1969. This reveals that since 1967 the increase in Federal support of institutions of higher education has been less than the increase in the price level.[2]

What is needed now from the Federal Government is support to institutions to be used to meet their essential educational needs. It should be understood that while cost-of-education grants to provide compensatory education for disadvantaged students are necessary, they do not constitute aid to the institution. They merely pick up the specific extra costs required for educating this kind of student.

What are the alternatives to general aid to the institution? One suggestion has been made that tuition be increased to cover the full costs of education, with long-term loans to students to enable them to pay the charges. But this, in effect, would be taxing the present generation to help amortize the cost of the plant to be used to educate future generations. It makes the institution a marketplace

---

[2] *Federal Support to Universities and Colleges* (NSF 69-32) Increase of Federal Support Obligated by All Agencies: 1964, 15 percent increase over 1963; 1965, 41 percent increase; 1966, 30.6 percent increase; 1967, 10 percent increase; *and 2 percent for 1968, 1969, and 1970 actual and estimated.*

where the student as consumer has the exclusive right and the power to decide what is "relevant." It rests on the mistaken belief that only students benefit economically from higher education, a belief which ignores the substantial benefits to society. And, finally, it undoubtedly will reduce the number of students—just the opposite of the President's goal.

Another suggestion is that categorical aid (project grants) aimed at a public purpose be the sole means by which the Government helps institutions meet the burdens imposed by rising enrollments. The basic flaw in this approach is that support for specific categorical programs, such as research, does not add to, and may actually reduce, the general financial capability of the institution. Project grants have been, and will continue to be, essential to higher education, but they alone cannot fulfill the institutions' needs. Further, grants which can be used only for specific enumerated purposes may lead to a distortion of the activities of the institution, as the President himself has observed.

Some Principles for Operating Grants

At this juncture it should be useful to elaborate on what we are talking about—and what we are not talking about.

One: We are proposing Federal aid directly to all institutions, private as well as public. We are not suggesting revenue sharing with the states in this instance, meritorious as that may be. Operating grants should be made on the basis if objective, easily measured factors. Since the amount of the grant would not be discretionary, but determined by the application of objective criteria, there is no point in having the grants distributed by the states. This would merely add another administrative layer to the distribution process.

Two: We are *not* recommending the substitution of aid to institutions for aid to students. We do not believe aid to institutions is separable from aid to students.

Three: We are *not* suggesting aid for operating expenses as a replacement for aid for construction

of buildings. Buildings are as necessary to accommodate students as the wherewithal to make up the difference between what the student pays in tuition and the operating costs of the institution.

Four: Operating grants should *not* be restricted to any category of educational costs, such as faculty salaries, innovative programs, interest on indebtedness and so on. Operating grants should be unfettered funds, which each particular institution could use where and as needed to educate its students and operate its facility.

Five: All regionally accredited institutions of higher education should be eligible for operating grants. Each type of institution serves a purpose, or a mix of purposes, important to society—from short-term vocational training to the education of Ph.D.'s in science.

While it may be argued that non-accredited institutions should be eligible for grants, since they are part of the nation's resources for higher education, the considerations to the contrary appear more persuasive. First, if the door is opened to payment of a grant to non-accredited institutions, it will be most difficult to draw the line between those which are and are not eligible. Second, accreditation is a usable and acceptable criterion of an institution's current capacity to provide education of at least the minimum standard quality. Finally, the problem of attaining accreditation could best be approached by a form of support specifically for this purpose, such as the program of aid to developing institutions.

Some kinds of education are more costly than others, which has led some persons to the belief that operating grants should be concentrated among those institutions whose costs per student or per degree are less. This is superficially attractive from a "cost-benefit" point of view, but it is based upon a largely-unknown measure of benefits, to society as well as to students. Furthermore, the financial status of an institution is not always a guide to its need for greater income. Institutions may cut the quality and range of their academic programs to fit their financial resources. There-

fore, a balanced budget is not an adequate guide to an institution's *real* need for funds.

Six: Operating grants will encourage innovation. A central barrier to innovation in higher education is that it costs money. Unless an institution has a resonably firm financial base, it cannot afford to devote the leadership, talent and money to experimenting with new methods and devices.

Seven: Institutions should be accountable for the funds they receive in operating grants. Institutions of higher education already are accountable in varying degrees to their students, the students' parents, alumni, donors, foundations, trustees, the Federal Government, and, in the case of state institutions, to their legislatures. The addition of Federal grants for operating costs would merely add another link to this accountability chain. Nonetheless, higher education stands ready to work with others or on its own in developing guidelines for holding institutions accountable for the operating grants they receive.

The Size of the Program

A program for support of operating costs should provide a significant contribution to the general educational expenses of all eligible institutions. The minimum annual payment should be large enough to permit meaningful contribution to the institution's educational capability.

A grant in the range of 4.5 to 5 percent of the general educational expenses is a reasonable level. A grant at this level has been found to provide significant, though not sufficient, assistance under the New York state program of institutional assistance. (The limitation of this program to private, non-sectarian, four-year colleges and universities does not invalidate the utility of such support for public as well as private, and two-year as well as four-year institutions).

The general educational expenses of institutions which would be eligible for grants approximate $10 to $12 billion annually. Accordingly, a grant in the 4.5 - 5 percent range would require from $450 to $600 million. Another approach to determining the size of the program may be made by

extrapolating the New York state formula nationally and covering all types of institutions. This also suggests an initial Federal appropriation of $500 to $600 million.

How such a total sum would be distributed among institutions depends upon the formula used. The urgency of obtaining additional funds for operating expenses is so great that the details are secondary. A formula satisfactory to all major elements of higher education can be worked out. For example, a formula based heavily on undergraduate enrollment will tend to favor large institutions. One giving heavy weight to the production of Ph.D.'s will tend to favor institutions with extensive research and graduate education.

The bill sponsored by Representative Albert H. Quie (H.R. 16622) in the 91st Congress would provide approximately $226 million annually. As the table shows, it provides relatively low amounts per institution, and so is not a satisfactory level of appropriations. The last two columns of the table show the relative effects of two formulas which would distribute about the same amount—namely, the Quie bill with a $532 million appropriation, and a modified New York state formula with a $510 million appropriation. The Quie bill emphasizes undergraduate enrollment; the modified New York formula gives greater emphasis to graduate degrees.

As these tabulations show, an objective formula can be developed and modified on the basis of experience.

A final word—if the Administration's announced intent to add one million low-income students to institutional enrollments is realized, this will increase institutional expenditures by $1.5 billion, figuring instructional costs conservatively at an average of $1,500 per student per year. If, as seems probable, most of these new students attend public institutions, with fees averaging $330 per year, then $330 million will be paid to the institutions in student aid funds. This would leave the institutions with a $1.17 billion deficit, representing the difference between the cost of instructing the additional million students and the tuition they pay.

Payments to a Selected Sample of Institutions

Institution	Quie Bill as written	Quie Bill with $532 M appropriation	Modified N.Y. Plan with $510 M appropriation
Public Universities			
Delaware, U. of	$ 346,000	$ 692,000	$ 780,000
Florida State U.	645,600	1,291,200	2,298,000
Nebraska, U. of	547,400	1,094,800	1,888,000
New Hampshire, U. of	304,900	609,800	622,000
N.C., U. of (Chapel Hill)	570,700	1,141,400	2,109,000
Ohio State U.	825,400	1,650,800	4,647,000
Oregon State U.	528,200	1,056,400	1,755,000
Purdue U.	642,500	1,285,000	3,762,000
Washington State U.	524,000	1,048,000	1,465,000
Private Universities			
Bradley U. (Ill.)	337,300	674,600	577,000
Brandeis U. (Mass.)	162,400	224,800	430,000
Denver, U. of (Colo.)	383,200	766,400	1,135,000
Harvard U. (Mass.)	414,600	829,200	3,690,000
Northeastern U. (Mass.)	513,200	1,026,400	1,419,000
Northwestern U. (Ill.)	468,000	936,000	2,403,000
So. Methodist U. (Texas)	326,800	653,600	648,000
Tulane U. (La.)	294,100	588,200	1,006,000
Washington U. (Mo.)	374,600	749,200	1,214,000
Public Four-Year Colleges			
Alabama A & M Col.	78,500	157,000	117,000
City Co. — Cuny	701,200	1,402,400	2,448,000
Fresno State Col. (Calif.)	507,400	1,014,800	1,017,000
Ga. Inst. Technology	381,800	763,600	622,000
La. Polytech Inst.	270,700	541,400	462,000
N.W. Missouri State Col.	238,000	476,000	312,000
Western Ill. U.	290,200	580,400	445,000
Wisc. State U. (Whitewater)	232,900	465,800	441,000

Payments to a Selected Sample of Institutions (continued)

Institution	*Quie Bill* as written	*Quie Bill* with $532 M appropriation	*Modified N.Y. Plan* with $510 M appropriation
Private Four-Year Colleges			
Athens Col. (Ala.)	$59,500	$ 119,000	$ 87,000
Earlham Col. (Ind.)	112,000	224,000	132,000
Geo. Williams Col. (Ill.)	40,000	80,000	52,000
Harding Col. (Ark.)	118,000	236,000	135,000
Iowa Wesleyan Col.	100,400	200,800	124,000
Mills Col. (Calif.)	69,500	139,000	94,000
Oberlin Col. (Ohio)	239,200	478,400	309,000
Rider Col. (N.J.)	230,200	460,400	345,000
Vassar College (N.Y.)	178,400	356,800	223,000
Public Two-Year Institutions			
Black Hawk Col. (Ill.)	—	—	162,000
Bronx Col. — CUNY	—	—	331,000
Cerritos Col. (Calif.)	—	—	523,000
Indian River Col. (Fla.)	—	—	62,000
Modesto Jr. Col. (Calif.)	—	—	237,000
Tyler Jr. Col. (Texas)	—	—	190,000
Private Two-Year Institutions			
Freed-Hardeman Col. (Tenn.)	—	—	55,000
Hannibal La Grange Col. (Mo.)	—	—	55,000
Hiwassee Col. (Tenn.)	—	—	51,000
Keystone Jr. Col. (Fla.)	—	—	48,000
Lincoln Col. (Ill.)	—	—	27,000
Monticello Col. (Ill.)	—	—	27,000
Multonomah Col. (Ore.)	—	—	138,000
Wentworth Inst. (Mass.)	—	—	174,000
Wingate Col. (N.C.)	—	—	109,000

NATIONAL ASSOCIATION OF STATE UNIVERSITIES
AND LAND-GRANT COLLEGES

Suite 710, One Dupont Circle, N.W.
Washington, D.C. 20036
Telephone (202) 293-7120